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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
April 1991

Dr. Donald Ratajczak, Director
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PUSHING ON A STRING?

As April ended, evidence of any upturn in economic activity remained scarce. Initial unemployment claims were 500,000 in the latest week, near the high for the recession. Clearly, employment continues to fall by nearly 50,000 per week. Auto sales remain depressed at 6 million domestic units for April while sensitive prices remain trendless. Even money growth has slowed again as the Federal Reserve preserved federal funds rates at 6% for more than a month. This normally suggests that the growth in demand for money is slowing.

To be sure, the leading indicators rose for the second consecutive month, but only four indicators were up while 7 were down. Rising consumer confidence and stock market prices (which are highly correlated) accounted for most of the gain. Also, housing permits have risen for two months, while sales of new single and existing homes rose modestly in February. This may be the harbinger of a recovery down the road, but activity clearly has not yet rebounded.

Furthermore, some danger signs are developing that the downturn could turn worse. Not only did manufacturing shipments fall 1.8% in March, but orders now are trailing shipments by $2 billion. Thus, backlogs are shrinking, suggesting that further production cutbacks in manufacturing are likely. With capacity utilization at 78.5%, order cancellations could develop. This would propel fixed investment down again, following the sharp declines in the first quarter. Consumer sentiment has eased slightly in April following the euphoria right after the Persian Gulf conflict. In addition, the strong dollar since February and slowing growth of activity abroad put the improvements in our trade balances at risk.

Clearly, these factors explain why the Federal Reserve moved to reduce the discount rate and lower the federal funds rate further at the end of April. Now the question is whether the Fed is pushing on a string. Interest rates have declined 2.5% as measured by the federal funds rate prior to this move. Moreover, the last two easing moves were met with rising long-term interest rates. Such less than stellar response to monetary ease has raised questions about whether further ease will continue to be ineffective.

COLLEGE OF BUSINESS ADMINISTRATION
GEORGIA STATE UNIVERSITY
UNIVERSITY PLAZA
ATLANTA, GEORGIA 30303-3083
404-651-3282

Such questions are not valid. When long-term interest rates rose following the last two easing moves by the Federal Reserve, money growth was accelerating. Also, some inflation measures were intensifying. Although the recession still was intensive, these factors suggested that more inflation rather than more employment would be the result of Federal Reserve easing. However, money growth has slowed following possibly seasonally distorted increases in February that spilled into March. While that spurt in money growth remains a mystery, sharp increases in currency demand suggests that international use of the dollar has sharply increased. Therefore, the increased dollar demand reflected international transactions needs rather than domestic requirements. In addition, the surge in inflation was mostly induced by government policies. Rising excise taxes for tobacco, alcoholic beverages, and luxury items added a tenth to the January inflation rate. Changing government fees, from postage to toll rates, raised another 1.5 percentage points. Higher sales taxes and rising property taxes also added more than 0.2 percentage points to inflation excluding food and energy in the first two months of 1991. When all the factors induced by government policy are excluded, half the change in core inflation was government mandated. Thus, the inflationary surge was nothing more than a one time government policy change.

Indeed, if the Fed eased earlier, more economic growth but no more inflation would have developed. Indeed, the absence of ease aided the surge in the dollar's value in recent weeks. This dollar surge has threatened the economic recovery because of the reduced competitiveness of American producers.

One other factor leading to monetary impotency was the use of reduced interest rates by banks to widen their interest rate spreads. While federal funds rates were falling 2.5 percentage points, the prime rate dipped only 1 percent. This improved earning potential at banks will aid the accumulation of capital and should eventually raise the capacity to issue loans. However, this is a long process that might have little immediate impact upon increased loan activity. The mortgage market, where bank lending does not determine the effective rates, did respond to the reduced interest rates. Some corporations also experienced lower financing costs. However, most borrowers saw only limited price reduction on borrowing from the Federal Reserve's interest rate initiatives. Without any pricing signals, no change in behavior should be expected. This is especially so as the criteria for obtaining loans or increasing credit lines is being tightened even as interest rates are falling.

The latest Federal Reserve initiative has reduced bank prime rates as well as federal funds rates. This should have more immediate impact upon the cost of capital to bank borrowers. Moreover, long-term interest rates have drifted down following this change, suggesting that monetary scarcity rather than excess is of greatest concern to the credit markets. Therefore, this activity should be more successful in beginning to stimulate the economy than earlier initiatives.

Will this change be enough? If interest rates fall, the dollar declines, and inflation remains subdued, no further reductions in interest rates may be necessary to start the economy. Of course, they are a lot of ifs. However, further declines in short-term interest rates will become increasingly difficult as the federal funds rate falls below interest rates paid to core checking and saving account depositors. Certainly, those interest rates also could fall, but such an action almost certainly would generate defections from those accounts, which normally are among the more profitable at banks. As those deposits flee, they may discover alternatives that remain more appealing. In other words, further significant declines in interest rates would further erode the competitive position of the banking industry. For that reason, no further decline in the discount rate is expected. However, a further decline in federal funds rates to 5.5% certainly could occur in the weeks ahead if the economy remains sluggish.

Monthly Statistical Highlights

	APRIL 1991	MAY 1991	JUNE 1991
Payroll Employment	-14.000	44,000	43,000
Index of Hours Worked	0.0	0.1%	0.2%
Household Employment	-27,000	38,000	38,000
Civilian Unemployment Rate	6.8%	6.9%	6.9%
Personal Income	0.3%	0.5%	0.5%
Savings Rate	4.0%	4.0%	3.9%
Personal Consumption	0.0%	0.5%	0.5%
Retail Sales	0.0%	0.4%	0.5%
Auto Sales	8.5*	8.5*	8.6*
Housing Starts	5.1%	1.0%	1.4%
Housing Permits	0.9%	-1.7%	1.9%
Construction Expenditures	1.2%	-0.1%	0.9%
Business Inventories	0.3%	0.3%	0.3%
Orders for Durable Goods	1.7%	1.7%	0.3%
Orders - Nondefense Capital Goods	3.5	1.5%	1.2%
Industrial Production	-0.3%	0.4%	0.2%
CPI	0.2%	0.4%	0.3%
PPI	-0.2%	0.4%	0.2%
Consumption Deflator	0.3%	0.4%	0.3%
Leading Indicators	0.4%	-0.1%	0.4%
Currency Index	1.5%	0.2%	-1.1%
Equity Index	2.1%	1.0%	0.4%
Real GNP (annual rate)	-0.3%	-1.2%	2.7%
M1 (annual rate)	4.5%	3.8%	4.9%
M2 (annual rate)	4.2%	8.3%	3.5%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Initial claims continue to indicate that the recession remains in place. The latest claims, at 500,000, suggests that employment continues to fall nearly 50,000 per week. The unemployment rate continues to drift up as well. The index of hours worked continues to fall more sharply than economic activity, suggesting more vigorous cost cutting than in previous recessions. As a result, inflationary pressures are moderating as measured by unit labor costs. Also, profits are higher than otherwise would have prevailed. The sharp decline in the workweek for March suggests that further declines in employment will persist in the months ahead. Although hourly earnings increased in March, the gains reflected reductions in high wage jobs rather than any acceleration of labor costs. For the quarter, hourly earnings rose a modest 2.5%. The employment cost index slowed to a 4.6% gain in the first quarter from previous year levels. This compares to gains of 4.9% in the previous quarter and 5.5% in the first quarter of the previous year. Thus, the fear of rising inflation remains unjustified in the labor markets.

Even if the hours worked have stabilized, as currently projected, the rate of descent has been so sharp that a decline is expected for the second quarter. This suggests that economic activity also will decline for that quarter. While improvement in all employment categories is projected, no assurances of such improvement are yet developing.

PERSONAL INCOME AND OUTLAYS-The weakness in employment clearly is reflected in wage income. Government and service payrolls offset declines in distribution and goods production to generate modest gains for March. For the quarter, however, wages grew more slowly than in the fourth quarter. Strong farm subsidies, especially in March, added to personal income for the quarter, although property income, especially interest earnings is now falling. Normally, an increase in farm subsidies leads to gains in savings. This time, however, the lost income was so substantial that savings fell, reaching a low 3.7% in March. Improving consumer sentiment may generate the reduction in savings currently projected for the spring. However, such gains are far from assured. Some rebuilding of savings is anticipated once the recovery begins. This will prevent any substantial rebound in consumer spending and lead to a very modest recovery.

Despite price declines for nondurables in March, purchases of nondurables after inflation continued to decline. This might be the result of faulty seasonal factors associated with Easter. If so, some gains in nondurable expenditures after inflation adjustment should be expected in April. Of course, the reduced price increases led to more restrained declines in real nondurable expenditures during the quarter. However, little evidence of a change in consumer spending exists. Durable goods fell about as much in the winter as during the fall. The gain in nondurables is no more than expected by the price changes alone, while the acceleration in services purchases reflects increased utility consumption and purchases of financial services as the stock market volume soared during the month. More modest increases in services expenditures should be expected in April. Nevertheless, some gains in consumption are likely in the spring merely because the collapse in spending during the CNN effect in January will not be duplicated in the second quarter. A return to more sluggish spending patterns is possible during the summer, especially as income growth remains soft. However, modest gains currently are projected for all consumer sectors by summer.

The March decline in retail sales is less disturbing than normal because of the problems associated with the Easter seasonal and the upward revision in activity in February. However, auto sales remain sluggish in April. The sharp second quarter gains merely remove the dismal January performance. Only modest gains in auto sales are likely this year because of restrained household income. Some distortions in auto sales may be developing because of changes in the rental fleet's holding period for autos. Previously, the wholesale prices received by rental companies allowed them to release the cars to the used car market within six months of their receipt. This undercut the new car market for households, who entered the used car market to take advantage of these bargains. Because of the sharp auto depreciation, the result was reduced household purchases of cars but increased purchases of autos for investment purposes. The result was a more dramatic in units sold than in value of units purchased. This pattern now should reverse as fleets are being asked to retain their cars for a longer period or lose some of their special market arrangements. Until these conditions have been resolved, little correlation is expected between unit auto sales and the value of auto sales in the retail sales report.

CONSTRUCTION-The good news is that housing permits have stopped falling. The bad news is that the remainder of the construction sector remains unusually weak. During the first quarter, the Dodge data on construction orders was 22% below previous year levels. Furthermore, weakness continued through March. This suggests that no rebound in construction expenditures may develop until next year. However, the improvement in permits suggests that increased housing activity is on the horizon. Sales of single family homes increased modestly in March. Resale homes also showed a modest rebound of 0.6% while housing prices appeared to stabilize except in the Northeast and West. Therefore, a rebound in single family housing activity followed by some bounce in multi-family activity from unusually low levels in March is projected. The sharp percentage increases merely reflect how small activity has become.

In addition to residential activity, public construction should rebound in the spring, although budget problems remain intense. Although the last decline may fall in March, no co[illegible]rted rebound is expected before June. Lingering weakness in nonresidential construction along with modest fluctuations in public construction account for this continued sluggishness. Construction costs should begin rising, but no dramatic acceleration of construction based inflation is likely during the next year.

BUSINESS ACTIVITY-Manufacturing inventories continue to fall. In March, they slipped by an additional 0.7%, probably requiring a downward revision in the GNP estimates. Of course, price declines accounted for some of that slippage, but inventories are still contracting. The big first quarter shock was the collapse in durable goods orders. As a result, shipments fell sharply, leading to a huge drop in fixed investment. With orders currently trailing shipments, further declines in activity are likely during the spring. Some of the collapse in nondefense capital goods orders reflects reduced commercial aircraft and auto orders. However, weakness was widespread. Moreover, no early orders rebound is expected in those sectors. Indeed, our estimates of a rebound in this sector may be too early.

Now that the war is over, defense shipments also have deteriorated. Further modest declines are likely for the remainder of this year. With such weakness in durables activity, further declines are likely for industrial production and capacity utilization. Our greatest concern at this time is cumulative weakness in the industrial sector that will prevent consumers from gaining the purchasing power needed to stimulate economic activity. Although industrial production appears to have slowed its descent that is misleading. February was unusually mild while March was more normal. Therefore, utility production subtracted 0.2% from February and added more than 0.1% to March production. Excluding these effects, industrial production only improved from a 0.6% decline in February to slightly less than 0.5% drop in March. Certainly, the freefall has ended, but the industrial sector clearly is weakening. The NAPM survey showing 42.1% for their index also shows that the freefall is over but the recession remains.

PRICES-Falling energy prices aided the price indices during the first quarter. Core inflation accelerated, but half the change in core inflation appears to be caused by changes in excise taxes on tobacco, alcoholic beverages, and luxury cars; government fees such as tolls and postal charges; sales taxes; and property taxes. Excluding these forces, core inflation would have drifted down slightly during the quarter. Moreover, the modest increase in wage costs both because of slowing wage increases and rising productivity during a recession (a truly rare occurrence) suggests that some relief in inflation is likely soon.

Unfortunately, the GNP deflator was incapable of showing the true direction of inflation. The bias is caused by subtracting the price impact of imports under the assumption that those prices also are reflected in the spending sectors such as consumption, investment and government purchases. Consumer prices do reflect those import prices and showed an appropriate slowing. However, investment and government purchases are deflated by producer prices, a domestic price index. Therefore, not all the import price changes are reflected in the other sectors during the quarter in which they are subtracted. Thus, when import prices are rising, as they were during the fourth quarter, the GNP deflator is understated. This is also true of the fixed weighted index but not the index for domestic purchasers (which rose 6.3% in the fall). When import prices fall, as they did in the winter, then the deflator is too high. Again, the index for domestic purchasers provides a more accurate measure of true inflation by rising only 3.6% during the winter.

One stronger inflationary force than currently projected could be caused by the denial to sell winter gasoline after May 1 until the next winter arrives. This has caused a substantial reduction in gasoline inventories and raised the cost of producing summer fuels, which require about 5% more oil. Therefore, gasoline prices could soar this spring, leading to larger price increases for nondurables than currently projected. If so, economic activity will be weaker in the spring than currently forecast.

MISCELLANEOUS-The unusual dip in our merchandise trade deficit during February cannot be sustained. Weak economic activity at home, a weak dollar, and unusually low imports of oil at low prices accounted for much of the improvement. Unfortunately, exports also fell. With the dollar rallying sharply, the cost competitiveness of American producers has eroded. Already, orders for machine tools from abroad have fallen sharply in March, suggesting that further declines in exports will be accompanied by some rebound in imports.

The dollar's rebound is partially by default, as German problems have undermined confidence in the mark. Also, concerns about slowing in Japan's economy have prevented any shift to that currency. However, the surge in the dollar also reflects the payments of war pledges along with the drop in our trade deficit. We may have experienced a current account surplus in February and certainly will show only a small deficit for the quarter. However, the current account will deteriorate in subsequent quarters as the pledges are paid. Thus, the dollar should fall from current levels, although a major decline is unlikely because of the default issue. Nevertheless, the end of further dollar increases probably will prevent any serious deterioration in our trade balances as the U.S. rebounds, Europe swoons, and Asia slows.

The adjusted profits were too good to be true for the fourth quarter. Nevertheless, sharp cost cutting along with reduced inventory profits has marginally raised the quality of profits in the winter. Some back sliding is expected as inflation reappears during the second quarter. Even so, adjusted profits are showing a remarkably stable response to the recession. This partially explains the surprising stock market values, which will be discussed later.

Although the leading indicators are beginning to improve, the breadth of improvement remains disappointing. In March, stock prices, consumer sentiment, money stock and building permits accounted for the increases while all the orders, labor market, and pricing indicators were lower. Clearly, some improvement in the breadth of these indicators will be needed before a rebound is signalled. Even with two months of gains, the indicators show no change for the quarter. While the indicators lead by much less during economic troughs, this suggests that the second quarter probably will be negative.

Our GNP estimates show the economy declining through May. If so, the recovery will begin in June. Clearly, the speed of decline has slowed. The largest drop occurred in January as everyone stopped to see the war. Downward drift has been occurring since then. Only a modest rebound is projected, with economic activity expanding only 2.3% in the next twelve months. This is an anemic recovery, but the overhang of construction, the slippage in backlogs, and the overhang of debt provides no other likely outcome.

FINANCIAL MARKETS

Despite the inflationary fears that surfaced with the distorted inflation indices for the first quarter, long-term interest rates were able to fall during the recession. Part of this probably represented a response to the increased liquidity revealed by lower short-term interest rates. However, a substantial portion of the weakness reflects changes in the savings behavior of corporations. The sharp drop in fixed investment along with little change in corporate profitability substantially reduced the borrowing needs of the corporations. To be sure, they sought substantial long-term borrowings to improve their balance sheets, but net corporate savings rose substantially during the winter. Further declines in fixed investment and in inventory investment are likely in the spring. However, cash flow should not be so favorable. During the second half of the year, net corporate savings should deteriorate despite rising profitability as inventory liquidation ends and fixed investment stabilizes.

By that time, the government sector may also be easing borrowing needs following a burst of borrowing activity in the spring. Reduced economic activity has substantially reduced revenues at the federal and state levels. Although government spending is not rising sharply, borrowing should remain intense until the fall. Of course,

state and local governments will be trying to improve their budget positions, leading to further reductions in total government borrowing needs.

The household sector will struggle to raise savings and will increase house financing as the year progresses. The net result should be modest declines in net savings during the year. However, most of this erosion should occur after the spring.

International investors may avoid American assets following the dollar's surge in the past two months. Of course, they are currently shifting funds into the United States to gain further returns from a strong stock market and any further currency gains that may materialize. However, this capital inflow should subside by late spring.

When all the sectors are combined, corporate savings should dictate interest rates through the spring. Then household reductions in net savings plus international reluctance to invest in the United States for low returns during the latter half of this year should stabilize rates.

Short-term rates probably will fall no further, although a further quarter point reduction in the federal funds rate is possible. Only sustained weakness would lead to a further reduction in the discount rate. At 5.5%, the rate is close to the interest rate paid by banks for core deposits. As these rates are not that sensitive, further declines in the discount rate could begin undermining the strength of banks. Certainly, such action is not desirable.

EQUITY MARKETS-The stock market is early but not wrong. Following the dramatic surge through April, market values should fluctuate in a narrow range for the remainder of this year. A breakout above 3000 on the Dow is possible as interest rates fall in late spring. However, not enough currency and profit support will be available to sustain such lofty levels at this time. A late summer stall is likely, but no serious drop in stock values is projected. At this point, the 3.9% gain in price from March levels during the next twelve months along with the 3.5% dividend yield suggests that stocks will provide only modest returns. However, alternative investments also provide only single digit price gains. Thus, selectivity of issues is needed.

Cyclical stocks have soared and sagged. They are due for another rebound during the fall. Interest sensitive issues such as home builders, building materials, utilities and financials should do well in the spring and then become tired late in the year.

The technology stocks are stalled by the rebound of the dollar and the sluggish spending by corporations. However, the dollar should cease being a drag during the summer while the corporations will spend by the fall. Thus, technology stocks should come back with the cyclicals.

Consumer and retail stocks should continue to underperform the market with the exception of food stores, which have dramatically improved their margins this spring. Manufacturers of consumer goods, including toys also should do poorly until late in the year.

Thus, while little direction is expected for the overall market, several interesting undercurrents remain to be explored.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate	Hourly Earnings	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	Proj	AR%
October	110432		123.1		117733		5.7	10.12	
November	110165	-1.7	123.4	-4.4	117386	-0.9	5.9	10.14	2.1
December	110004		124.0		117574		6.1	10.19	
January 1991	109813		121.8		116922		6.2	10.19	
February	109522	-2.3	122.1	-5.6	116918	-2.4	6.5	10.20	2.5
March	109316		121.3		116754		6.8	10.25	
April	109302 *		121.3 *		116727 *		6.8 *	10.27 *	
May	109346	-0.7	121.4	-1.0	116765	-0.3	6.9	10.30	3.4
June	109389		121.6		116803		6.9	10.33	
July	109432		121.7		116858		7.0	10.36	
August	109485	0.5	121.8	1.3	116930	0.5	7.0	10.40	3.8
September	109542		122.0		116986		7.1	10.43	
October	109605		122.1		117053		7.1	10.47	
November	109665	0.7	122.2	1.3	117142	0.7	7.1	10.51	4.2
December	109723		122.4		117216		7.2	10.53	
January 1992	109809		122.4		117294		7.2	10.56	
February	109884	0.8	122.6	1.1	117353	0.7	7.1	10.60	3.6
March	109957		122.7		117413		7.1	10.63	
Chng Mar(92)/Mar(91)		0.6		1.2		0.6	0.9 #		3.7
Chng Mar(91)/Mar(90)		-0.7		-2.5		-1.3	0.4 #		3.2

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	4.696		2.732		152.5		3.982		3.830	
November	4.716	3.5	2.732	0.8	166.1	-9.7	4.001	3.2	3.835	3.9
December	4.743		2.754		183.9		4.022		3.839	
January 1991	4.725		2.740		188.8		4.007		3.818	
February	4.734	1.4	2.740	0.3	160.9	-3.6	4.017	1.5	3.856	1.7
March	4.746		2.744		148.2		4.027		3.879	
April	4.762 *		2.750 *		159.9 *		4.040 *		3.880 *	
May	4.785	4.3	2.763	3.2	161.5	-11.8	4.059	4.3	3.898	5.0
June	4.808		2.776		161.1		4.079		3.918	
July	4.831		2.789		162.2		4.097		3.935	
August	4.855	6.0	2.803	5.9	167.0	12.4	4.118	5.9	3.951	5.7
September	4.879		2.817		167.5		4.139		3.971	
October	4.904		2.832		173.0		4.161		3.988	
November	4.928	6.1	2.847	6.2	170.5	11.6	4.180	6.1	4.010	5.9
December	4.949		2.858		167.2		4.197		4.030	
January 1992	4.968		2.868		167.0		4.216		4.049	
February	4.994	5.5	2.884	5.4	172.2	0.6	4.239	5.7	4.067	5.5
March	5.017		2.897		172.2		4.258		4.086	
Chng Mar(92)/Mar(91)		5.7		5.6		16.2		5.7		5.3
Chng Mar(91)/Mar(90)		3.3		2.8		-29.1		2.8		4.6

PROJ includes current information until the * and then projections by month thereafter
AR% is the annualized percentage change from the previous quarter.
is the percentage change in the labor force

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	3720.5		474.6		1216.2		2029.8		2675.6	
November	3725.6	4.0	468.7	-10.1	1219.3	3.7	2037.6	7.0	2672.3	-3.4
December	3728.7		462.2		1212.5		2053.9		2672.8	
January 1991	3708.3		441.4		1205.9		2061.1		2646.0	
February	3746.1	1.8	460.9	-9.6	1215.6	-2.0	2069.5	6.8	2666.1	-1.4
March	3769.0		468.1		1208.0		2092.9		2680.3	
April	3769.9 *		464.3 *		1214.0 *		2091.6 *		2674.4 *	
May	3787.9	5.2	466.0	8.5	1218.5	3.0	2103.4	5.7	2677.7	2.2
June	3807.7		468.3		1223.7		2115.7		2683.7	
July	3825.1		471.3		1226.3		2127.4		2688.5	
August	3840.7	5.8	472.2	6.0	1229.9	3.8	2138.5	6.9	2691.7	2.1
September	3861.0		475.5		1234.0		2151.4		2697.9	
October	3876.9		477.6		1236.2		2163.2		2700.8	
November	3899.1	6.0	483.0	8.3	1241.5	3.5	2174.6	6.9	2708.0	2.2
December	3918.8		487.1		1244.9		2186.8		2713.8	
January 1992	3938.1		489.2		1250.5		2198.4		2718.7	
February	3955.2	6.0	491.5	7.7	1252.6	4.1	2211.1	6.8	2722.2	2.3
March	3974.2		494.0		1256.8		2223.4		2727.2	
Chng Mar(92)/Mar(91)		5.4		5.5		4.0		6.2		1.8
Chng Mar(91)/Mar(90)		4.7		-3.0		2.5		8.0		0.3

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	151.75		22.57		9.3		97.69		31.49	
November	151.75	0.2	22.27	-5.1	8.7	-28.0	98.29	3.8	31.19	1.8
December	149.06		21.81		8.9		97.29		29.96	
January 1991	147.81		21.71		7.6		96.91		29.19	
February	150.82	-3.8	22.55	-0.3	8.3	-30.1	97.80	-2.0	30.47	-11.5
March	149.60		22.34		8.7		97.06		30.20	
April	149.54 *		22.25 *		8.5 *		97.43 *		29.86 *	
May	150.09	2.0	22.36	2.5	8.5	17.3	97.79	2.3	29.94	0.4
June	150.77		22.40		8.6		98.21		30.16	
July	151.32		22.47		8.7		98.42		30.43	
August	151.71	4.6	22.56	4.1	8.7	9.7	98.71	3.8	30.44	7.4
September	152.41		22.65		8.8		99.04		30.72	
October	152.81		22.72		8.5		99.21		30.88	
November	153.85	5.2	22.78	4.0	8.7	-1.5	99.64	3.5	31.43	11.6
December	154.58		22.85		8.9		99.91		31.82	
January 1992	155.27		22.89		9.0		100.36		32.02	
February	155.69	5.3	23.11	4.8	9.0	16.2	100.53	4.1	32.05	9.8
March	156.31		23.16		9.1		100.87		32.28	
Chng Mar(92)/Mar(91)		4.5		3.7		4.6		3.9		6.9
Chng Mar(91)/Mar(90)		-0.2		-3.6		-9.4		2.4		-5.6

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CONSTRUCTION

	Housing Starts		Single Family Starts		Multi-Family Starts		Housing Permits	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	1.026		0.839		0.187		0.920	
November	1.130	-26.8	0.769	-28.7	0.361	-19.0	0.906	-46.5
December	0.971		0.751		0.220		0.844	
January 1991	0.847		0.648		0.199		0.797	
February	0.993	-41.0	0.778	-30.0	0.215	-66.8	0.863	-17.6
March	0.901		0.732		0.169		0.884	
April	0.947 *		0.753 *		0.194 *		0.892 *	
May	0.956	20.5	0.761	25.3	0.195	4.2	0.876	19.7
June	0.969		0.769		0.200		0.893	
July	0.985		0.782		0.203		0.907	
August	0.987	16.7	0.785	14.8	0.202	24.4	0.921	17.1
September	1.013		0.796		0.217		0.940	
October	1.029		0.807		0.222		0.946	
November	1.035	18.4	0.815	15.2	0.220	31.4	0.952	14.8
December	1.050		0.826		0.224		0.967	
January 1992	1.061		0.831		0.230		0.972	
February	1.066	13.3	0.834	11.6	0.232	20.0	0.975	11.0
March	1.086		0.851		0.235		0.994	
Chng Mar(92)/Mar(91)		20.5		16.3		39.1		12.4
Chng Mar(91)/Mar(90)		-30.6		-25.9		-45.5		-28.2

	Non-Residential		Public Construction		Residential Construction		Construction Expenditures		Real Construction Expenditures	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	134.8		110.8		174.6		420.2		379.6	
November	132.6	-21.1	113.9	9.8	169.3	-22.9	415.8	-13.4	375.9	-12.9
December	130.7		111.2		164.8		406.7		368.1	
January 1991	130.9		103.5		161.1		395.5		358.2	
February	130.3	-7.0	109.7	-15.8	155.3	-27.5	395.3	-18.1	357.7	-17.7
March	129.7 *		108.6 *		153.0 *		391.3 *		354.1 *	
April	129.5		109.4		157.2		396.1		357.9	
May	129.8	-1.9	110.3	11.3	155.7	2.0	395.8	3.1	357.2	2.0
June	129.7		110.8		158.8		399.3		360.4	
July	130.2		111.6		160.4		402.2		362.7	
August	130.1	2.0	112.5	8.9	161.7	11.7	404.3	7.7	363.9	6.4
September	130.6		113.5		162.8		406.9		365.6	
October	131.0		113.9		163.8		408.7		366.5	
November	131.5	3.6	114.4	6.4	164.8	8.3	410.7	6.3	368.0	4.2
December	131.9		114.6		166.1		412.6		369.0	
January 1992	132.5		115.3		167.0		414.8		370.4	
February	132.9	4.7	115.9	6.0	167.9	8.0	416.7	6.4	371.4	4.2
March	133.6		116.7		169.4		419.7		373.4	
Chng Mar(92)/Mar(91)		3.0		7.5		10.7		7.3		5.5
Chng Mar(91)/Mar(90)		-7.7		-1.2		-25.8		-14.1		-14.7

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BUSINESS ACTIVITY

	Manufacturers Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	391.5		129.46		38.55		33.57	
November	392.0	0.4	116.32	-14.1	32.73	19.3	33.92	0.1
December	388.8		120.22		38.56		32.72	
January 1991	388.4		117.79		33.96		31.72	
February	388.5	-2.2	117.61	-20.4	33.79	-36.5	32.23	-16.7
March	388.9 *		110.30		30.30		31.79	
April	390.1		112.23 *		31.37		31.92 *	
May	391.4	2.9	114.18	-5.4	31.83	-10.3	31.67	-0.5
June	392.8		114.53		32.21		32.04	
July	394.2		115.57		32.23		32.08	
August	395.7	4.6	116.32	9.0	32.17	5.3	32.22	4.7
September	397.6		116.51		32.26		32.43	
October	398.6		116.45		32.54		32.47	
November	399.9	4.2	116.69	1.9	32.73	6.6	32.66	4.2
December	401.3		116.94		32.95		32.61	
January 1992	403.0		117.83		32.91		32.78	
February	404.8	4.9	119.07	6.6	33.14	5.2	32.95	3.7
March	406.5		118.82		33.42		32.91	
Chng Mar(92)/Mar(91)		4.5		7.2		10.3		3.5
Chng Mar(91)/Mar(90)		1.0		-15.4		-15.3		0.0

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	824.3		8.77		109.9		83.0	
November	826.1	-0.3	9.23	4.2	108.3	-7.4	81.6	-10.4
December	826.9		8.80		107.2		80.6	
January 1991	831.4		8.20		106.6		80.0	
February	829.8	2.3	8.52	-20.8	105.7	-9.2	79.1	-11.5
March	830.3 *		8.56		105.3		78.7	
April	832.7		8.61 *		105.0 *		78.2 *	
May	834.9	2.2	8.52	4.5	105.4	-2.0	78.3	-5.0
June	837.2		8.43		105.6		78.3	
July	840.6		8.52		105.8		78.2	
August	844.1	4.5	8.43	-3.1	106.3	3.6	78.5	1.0
September	847.8		8.41		106.7		78.7	
October	850.8		8.43		107.2		78.9	
November	854.5	5.0	8.55	4.0	107.6	5.1	79.0	2.7
December	858.4		8.63		108.0		79.1	
January 1992	861.7		8.56		108.3		79.2	
February	864.4	4.9	8.50	-1.1	108.6	3.6	79.3	1.2
March	868.3		8.48		108.8		79.2	
Chng Mar(92)/Mar(91)		4.6		-0.9		3.3		0.6
Chng Mar(91)/Mar(90)		2.6		-6.0		-3.3		-5.6

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	133.4		122.3		121.3		132.8	
November	133.8	6.9	122.8	4.4	120.7	16.1	133.1	2.8
December	134.2		122.1		118.9		133.3	
January 1991	134.8		122.0		119.3		134.2	
February	135.1	3.5	121.3	-3.2	117.2	-9.4	134.9	5.5
March	135.0		120.9		115.6		135.4	
April	135.3 *		120.6 *		115.5 *		135.7	
May	135.8	2.4	121.1	-1.3	116.1	-4.2	136.2	3.9
June	136.2		121.4		116.7		136.5	
July	136.6		121.5		117.2		137.1	
August	137.0	3.6	121.7	2.5	117.5	2.1	137.4	3.9
September	137.4		122.0		115.4		137.8	
October	137.8		122.2		117.8		138.2	
November	138.2	3.7	122.5	2.4	118.1	4.9	138.8	3.8
December	138.6		122.7		118.4		139.2	
January 1992	139.1		123.0		118.7		139.6	
February	139.5	3.7	123.2	2.5	119.0	3.0	140.2	4.1
March	139.9		123.5		119.2		140.6	
Chng Mar(92)/Mar(91)		3.6		2.1		3.1		3.8
Chng Mar(91)/Mar(90)		4.9		3.1		2.1		4.2

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	139.1		112.9		134.6		150.2		110.7	
November	139.4	7.1	112.7	1.6	135.0	11.0	150.6	5.4	110.6	-1.0
December	139.5		112.6		135.2		150.4		110.5	
January 1991	140.1		112.4		135.4		151.2		110.4	
February	140.5	3.2	113.3	1.2	135.4	0.9	152.0	4.0	110.5	-0.5
March	140.6		113.5		134.9		152.5		110.5 *	
April	141.0 *		113.6 *		135.1 *		153.0 *		110.7	
May	141.5	2.9	113.8	2.6	135.7	1.2	153.5	4.3	110.8	1.1
June	141.9		114.0		136.1		154.0		110.8	
July	142.3		114.2		136.3		154.6		110.9	
August	142.7	3.6	114.4	2.1	136.5	2.7	155.2	4.5	111.1	1.2
September	143.1		114.6		136.8		155.8		111.3	
October	143.5		114.8		137.1		156.4		111.5	
November	144.0	3.7	115.0	2.1	137.5	2.8	157.0	4.7	111.6	1.9
December	144.4		115.2		137.8		157.6		111.8	
January 1992	144.9		115.5		138.1		158.2		112.0	
February	145.3	3.7	115.7	2.5	138.4	2.7	158.8	4.7	112.2	2.0
March	145.7		115.9		138.7		159.4		112.4	
Chng Mar(92)/Mar(91)		3.6		2.1		2.8		4.5		1.7
Chng Mar(91)/Mar(90)		4.4		1.0		4.5		4.7		0.6

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators		Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX	Proj
October	-10.99		141.5		5520		4157		-21.7
November	-8.91	-25.8	139.9	-4.4	5527	0.9	4152	-1.6	-16.2
December	-6.28		139.7		5531		4151		-10.0
January 1991	-7.16		139.0		5544		4130		9.2
February	-5.33	71.5	140.5	0.1	5562	2.6	4123	-2.8	11.5
March	-6.64 *		141.7 *		5577		4118		11.7
April	-6.26		142.3		5588		4117		5.2
May	-6.76	-6.9	142.2	5.9	5601	3.2	4113	-0.6	-1.4
June	-6.43		142.8		5628		4122		-5.3
July	-6.27		143.2		5657		4127		-7.6
August	-6.51	-0.2	143.4	2.8	5679	5.5	4132	1.6	-9.9
September	-6.68		143.7		5708		4142		-11.5
October	-6.53		143.4		5733		4147		-12.3
November	-6.27	8.9	143.8	1.0	5782	6.9	4165	2.9	-10.7
December	-6.21		144.2		5815		4178		-11.1
January 1992	-6.46		144.6		5841		4184		-11.7
February	-6.28	0.4	144.9	3.1	5874	7.3	4189	3.1	-12.4
March	-6.25		145.2		5922		4212		-13.1
Chng Mar(92)/Mar(91)		5.9		2.5		6.2		2.3	
Chng Mar(91)/Mar(90)		20.7		-2.5		3.5		-0.6	

	Currency Index		Adjusted Profits		30 - Year Government Bonds		New York Composite	
	Proj	ARX	Proj	ARX	Proj	ARX	Proj	ARX
October	83.43		160.9		8.86		168.05	
November	82.12	-19.0	163.5	2.0	8.50	-11.4	172.21	-21.1
December	83.35		162.8		8.24		179.57	
January 1991	83.51		161.5		8.27		177.95	
February	82.12	8.0	163.4	0.7	8.03	-14.9	197.75	54.2
March	88.12		163.1		8.29		203.57	
April	89.43 *		160.8		8.14 *		207.77 *	
May	89.62	23.9	158.2	-7.5	7.96	-8.8	209.94	38.6
June	88.67		159.7		7.93		210.86	
July	88.74		158.8		7.95		209.80	
August	88.96	-2.4	157.5	-2.1	8.07	1.8	205.87	-3.9
September	88.43		159.8		8.12		206.69	
October	88.92		159.3		8.16		206.59	
November	89.61	-1.3	162.2	8.3	8.22	8.7	210.95	0.7
December	86.74		164.3		8.27		205.91	
January 1992	86.67		166.1		8.32		207.15	
February	88.81	-1.0	165.7	10.1	8.35	7.0	211.46	4.4
March	89.12		165.9		8.40		211.60	
Chng Mar(92)/Mar(91)		1.1		1.7		1.3		3.9
Chng Mar(91)/Mar(90)		-6.4		-2.6		-3.5		9.3

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	318.0		821.2		3324.5		8.11		7.16	
November	320.0	9.5	823.3	4.4	3324.7	3.2	7.83	-4.0	7.05	-16.3
December	322.0		825.4		3329.8		7.31		6.70	
January 1991	326.8		826.7		3332.9		6.91		6.28	
February	332.8	14.9	836.4	5.9	3357.0	3.6	6.25	-52.7	6.20	-40.0
March	334.4		842.7		3378.3		6.12		5.92	
April	335.5 *		845.8 *		3390.0 *		5.96 *		5.83 *	
May	337.6	7.7	848.4	6.6	3412.6	6.4	5.74	-32.6	5.72	-21.9
June	339.4		852.2		3422.5		5.77		5.75	
July	341.0		853.9		3435.6		5.83		5.77	
August	342.7	6.2	856.8	4.0	3450.9	5.1	5.88	2.1	5.84	4.7
September	344.2		861.0		3465.6		5.85		5.89	
October	346.0		864.2		3481.2		6.02		5.96	
November	347.6	5.8	866.9	4.7	3496.7	5.4	6.07	16.4	5.99	11.9
December	349.0		870.1		3511.4		6.15		6.05	
January 1992	350.6		873.4		3526.8		6.12		6.14	
February	352.2	5.6	876.9	4.6	3541.4	5.3	6.18	6.3	6.22	14.5
March	354.0		880.0		3557.8		6.22		6.26	
Chng Mar(92)/Mar(91)		5.9		4.4		5.3		1.6		5.7
Chng Mar(91)/Mar(90)		10.2		4.7		3.3		-26.6		-20.4

	AAA (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Papers		90 Day CD's		Prime Rate	
	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%	Proj	AR%
October	9.53		7.49		7.98		8.06		10.00	
November	9.31	-4.5	7.16	-3.6	7.85	-3.3	7.98	-4.4	10.00	0.0
December	9.05		7.09		7.80		7.82		10.00	
January 1991	9.04		7.08		7.10		7.17		9.52	
February	8.83	-14.7	6.91	-11.4	6.49	-48.7	6.60	-48.4	9.05	-28.7
March	8.93		7.10		6.41		6.45		9.00	
April	8.73 *		6.97 *		5.98 *		6.07 *		9.00 *	
May	8.61	-12.2	6.88	-7.2	5.95	-37.3	6.05	-35.4	8.68	-18.7
June	8.60		6.85		5.87		6.01		8.50	
July	8.68		6.93		5.85		5.98		8.50	
August	8.73	3.9	6.98	4.9	5.89	-2.2	5.99	-2.6	8.50	-10.0
September	8.78		7.04		5.96		6.04		8.50	
October	8.89		7.13		6.02		6.11		8.50	
November	9.02	12.3	7.25	14.3	6.17	16.8	6.22	14.5	8.50	0.0
December	9.05		7.28		6.21		6.30		8.50	
January 1992	9.12		7.35		6.24		6.34		8.79	
February	9.12	7.5	7.37	9.4	6.28	10.6	6.37	12.1	9.00	21.8
March	9.21		7.43		6.35		6.46		9.00	
Chng Mar(92)/Mar(91)		3.1		4.6		-0.9		0.2		0.0
Chng Mar(91)/Mar(90)		-5.0		-3.0		-21.7		-21.6		-10.0

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